

City of Klawock

Assessment of Management Capacity Indicators

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Department of Commerce, State of Alaska
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Introduction

The City of Klawock report was completed by Rural Utility Business Advisor program staff Lynn Kenealy as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the Juneau regional office for viewing if requested.

The goal of the RUBA Program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

Essential Indicators identify policies and practices that are critical to the short-term operation of a utility. **Sustainable Indicators** identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The City of Klawock is a traditional Tlingit seasonal fishing village, located on the west coast of Prince of Wales Island, 56 air miles west of Ketchikan. This first-class city provides water, wastewater, landfill, garbage haul, EMS, police, and harbor/dock services to the community. Water for the community is derived from a dam on Half Mile Creek, treated, stored in a tank, and is piped throughout the community of Klawock. The utility is classified at class 2 water treatment, class 1 water distribution, class 1 wastewater collection, and class 1 wastewater treatment. The city population is 786 and the city provides utility services to approximately 330 households.

The City of Klawock operates and manages the following utility services:

- Water treatment and distribution;
- Wastewater collection and treatment;
- Water to the school, cannery, and raw water to the hatchery;
- Garbage haul and landfill; and
- Harbor and dock.

Capacity Indicators

On February 25-26, 2014, RUBA staff Lynn Kenealy met with City of Klawock staff to complete a RUBA Assessment of Management. City staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Paid water electric bill, February 2014
- Paid sewer electric bill, February 2014
- Budget versus actual profit and loss report 12/31/2013
- FY14 budget and adopting non-code ordinance
- List of delinquent customers, February 2014
- Purchase order request
- Voided receipt
- Voided check
- Utility fund chart of accounts
- Reconciliation summary October 2013
- Utility accounts payable statement June 30, 2012
- Klawock Municipal Code Title 10, Health, Sewer, Water, and Refuse
- Water, wastewater, garbage, and landfill rate non-code ordinance
- Unmetered customer invoice (name redacted)
- Pay back agreement form
- Klawock Policies and Procedures Employee Handbook, February 25, 2014
- Job descriptions: city administrator, water treatment plant operator, wastewater operator, public works director
- Organizational chart
- Council meeting notice posting: 01/02/13
- Council meeting minutes: 01/02/13, 02/11/13, 03/14/13, 04/02/13, 05/07/13, 05/15/13

Utility Finance

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	All revenue and expenses for the utility are listed in the utility budget.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted a balanced realistic budget.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Monthly financial reports are prepared and submitted to the policy making body.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is current paying all water/wastewater electric bills.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

Sustainable Indicators

<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses and Repair and Replacement (R&R) costs.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	YTD revenues are at a level equal to or above those budgeted.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	YTD expenditures are at a level equal to or below those budgeted.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	A monthly manager's report is prepared.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budget amendments are completed and adopted as necessary.

The City of Klawock's FY14 budget was adopted by the city council by non-code ordinance on June 18, 2013. The budget adopted by the council shows only FY14 budget numbers, though the council worked with FY13 actuals to establish the FY14 budget amounts. The budget is divided into departments, including general fund, utility services, and liquor store, and thoroughly list revenues and expenditures. The budget is balanced and realistic, and amendments are adopted as needed. The council receives monthly financial reports, which include budget versus actual numbers for each category, as well as a percentage used and percentage remaining line. As of December 31, 2013, half way through the fiscal year, water/wastewater revenues equaled 47% of the budgeted amounts, water expenditures equaled 47% of the budgeted amounts, and wastewater expenditures equaled 33% of expected amounts. This indicates the utility is on track with the budget thus far. Two expenditure line items are over-budget, though sufficient monies remain in other lines to diffuse these expenses via budget amendment. Some months over the past fiscal year have not complied with the financial reporting requirements, though this seems to be in place currently. The RUBA program encourages staff to ensure financial reports are provided every month to the council. A verbal report from the utility manager accompanies all financial reports.

Residential customers are charged \$117.58 per month if they are not metered. If customers are metered, the average cost per month comes out to \$91.09. The utility is encouraging the metering of all customers by offering to sell meters to all customers and sign onto a payment plan. According to this payment plan, customers would continue paying at the \$117.58 rate, with the remainder being saved every month going toward paying back the cost of the meter. It is estimated that the meter should be paid off within one year (depending on water use), and after this point, customers should see a reduction in rates. This is hoped to both encourage more conservative water use, and to allow utility staff to better monitor water loss and leaks. Labor for installing the meter is provided by the city free of cost. The cost of the meter is currently \$300. There are several additional specific customer classes, each with their own rate structure.

The only customer class currently being subsidized is elderly customers, which is subsidized by the general fund, which is currently sufficient to provide for this subsidy. All other customer

groups cover the cost of operating expenses through user fees. There is not currently any money being reserved for repair and replacement costs.

The utility receives its electricity from Alaska Power and Telephone, and billing is allocated to the appropriate department and paid monthly by finance staff. Petro Marine provides fuel for the community and is delivered on a cyclical basis. Sufficient funds for fuel are allocated to each department, and as of December 31, 2013, the water department had expended 49% of its fuel allocation, and the wastewater department had expended 39% of its fuel allocation.

Accounting Systems

Essential Indicators

Yes No

- | | | |
|-------------------------------------|-------------------------------------|---|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has adopted a collection policy and actively follows it. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility bills customers on a regular basis. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts receivable system is in place which tracks customers and reports past due accounts and amounts. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts payable system is in place. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The payroll system correctly calculates payroll and keeps records. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A cash receipt system is in place that records incoming money and what it was for. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a cash disbursement system that records how money was spent. |
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Sustainable Indicators

- | | | |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A chart of accounts is used that identifies categories in a reasonable, usable manner. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Monthly bank reconciliations have been completed for all utility accounts. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts. |

Klawock Municipal Code Section 10.01.240 provides that any customer over 60 days past due be turned over for collection or disconnected, and an 8% interest rate charged. This collection policy is not currently being followed. However, an unwritten policy is being enforced with a positive outcome thus far. City staff hopes to amend municipal code to reflect the current enforcement procedures. The current process involves billing customers on the first of every month, then placing door hangers on the homes of residents who have not paid within the time allowed in the bill. Delinquent customers either pay the amount owed in full or come to the city office and sign a pay-back agreement plan, which includes making each monthly payment plus an amount toward the past-due amount. The specific amounts involved in this pay-back agreement are arranged between the customer and the city administrator, and are specified in writing. There are some delinquent accounts which are likely to be considered “bad debt” and will require council write-offs.

As of February, 2014, 31 customers have customer pay-back plans. In the month of February, 8 customers received shut-off notice door hangers. By the end of the day, most of these customers had come into the office to either pay or agree upon a payment date or arrangement. This rate is an improvement from 36 shut-off notices monthly one year ago.

The current city administrator (who serves as the utility manager) has extensive experience in financial management, and is working on reconciling past years’ accounts. Previous practices did not meet RUBA standards nor generally accepted accounting practices, though accounting

practices in the past few years have drastically improved and meet or even exceed RUBA indicator standards at this time.

The City of Klawock utilizes the Cougar Mountain accounting system, with some accounting elements being maintained in writing, such as the check ledger. Appropriate segregation of duties is instituted among city finance staff, and staff only have access to sections of the Cougar Mountain account which are appropriate and necessary for their positions and duties. A chart of accounts is maintained including a fund account code followed by the category, each classified as asset, equity, liability, etc. Reconciliations are completed monthly by the city administrator, though reconciliations are a bit behind at this time, as bringing reconciliations for previous years up to date is taking priority. The last current reconciliation to be completed was October 2013.

The city's accounts receivable clerk sends out bills then accepts payment via hand-delivery, mail, or credit card. A dual-verification system is in place for acceptance of all cash, with receipts being made in triplicate, the incoming amount being applied to the appropriate account. All cash is maintained in the safe and verified by two employees and attached receipts. The city administrator takes all cash to the bank on a regular basis.

The city's accounts payable clerk follows a similar approval process to the purchase order system. A purchase order form is signed by the appropriate department supervisor and city administrator. The city administrator then provides a purchase request to the accounts payable clerk, who codes the expense to the appropriate department and provides payment. The purchase request form is in triplicate: pink remains in the purchase request book, yellow goes to the accounts payable clerk, and white goes to the appropriate vendor. There is no cash disbursement.

Payroll begins with each employee's timecard, which is signed by the supervisor. The payroll clerk processes the time cards, then the city administrator verifies each one. The clerk then processes all appropriate withholdings and produces a check for each employee.

Tax Problems

Essential Indicators

Yes	No	NA	
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility has a system to accurately calculate, track, and report payroll tax liabilities.
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility is current on filing federal and state tax reports.
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility is current on making federal and state tax deposits.
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	If there are any past tax liabilities or tax liens filed, a payment agreement has been signed and repayments are current.

The city's Cougar Mountain account helps to track payroll liabilities, and the payroll clerk processes all payments and reports. The State of Alaska Department of Labor Employment Security Division reported the city compliant on March 4, 2014. Taxpayer Advocates reported the city compliant on all IRS requirements on December 18, 2013.

Personnel System

Essential Indicators

Yes No

☒ ☐ **The utility has a posted workers compensation insurance policy in effect.**

Sustainable Indicators

☒ ☐ The utility has adopted and uses a personnel policy, which has been reviewed by an attorney, AML, or DCCED for topics and language.

☒ ☐ The utility has adequate written job descriptions for all positions.

☐ ☒ The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.

☐ ☒ The utility has an adequate written hiring process.

☒ ☐ The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.

☐ ☒ The utility has a probationary period for new hires that includes orientation, job-training/oversight, and evaluations.

☒ ☐ The utility provides training opportunities to staff as needed and available.

The city receives worker's compensation insurance coverage from Alaska Public Entity Insurance, which was verified on March 11, 2014, and is posted in the city office.

The city's employee handbook is provided to all new employees, and includes an orientation checklist signed by both the employee and the supervisor and an employee acknowledgement form. The handbook is comprehensive, though some items may be in need of updating. There are also job descriptions for all employees, though some of these may also be in need of updates.

There is no written hiring process at present. The employee handbook discusses some elements of the hiring process, such as reference checks and application, but is not comprehensive. There is an introductory period of 90 days, subject to change depending on performance, followed by a performance evaluation, then an annual performance evaluation after. However, the performance evaluation portion is not currently being practiced, and the city has asked for assistance with improving this indicator.

All employees have personnel files including a hire sheet, wage sheet, I9, W2, and will also include personnel evaluations once these begin being instituted.

The city encourages training through the RUBA program and other options as available. The city clerk has attended the RUBA clerks course, the administrator has attended financial and planning courses, and the public works director has attended the personnel course and is registered to attend an upcoming operations management course. Staff and management also attend other trainings such as the SDS conference and other trainings provided throughout the state.

Organizational Management

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The entity that owns the utility is known and the entity that will operate the utility is set.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body is active in policy making of the utility.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body enforces utility policy.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained manager.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained bookkeeper.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained operator(s).
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted an organizational chart that reflects the current structure.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body meets as required.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility complies with the Open Meeting Act for all meetings.

The City of Klawock owns and operates the community's water and wastewater utilities. Though this entity is known and set and discussed in Klawock Municipal Code Title 10, the current municipal ordinance pertaining to the water utility is in need of updates and additions at this time, and the city administrator wishes to take this project on in the coming months. The city council is the decision-making body for the city's water utility, meets the first Tuesday of every month, and complies with the Open Meetings Act.

The utility's organizational chart is included within the city's organizational chart, and clearly delineates lines of authority and responsibility. See Personnel Management for details of utility management training.

Operation of Utility

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility operator(s) are actively working towards necessary certification.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a preventative maintenance plan developed for the existing sanitation facilities.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The manager receives a monthly O&M report from the utility operator and routinely "spot checks" the facilities to see that the maintenance items are being completed.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a safety manual and holds safety meetings.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Utility facilities have not suffered any major problems/outages due to management issues that are still unresolved.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is operating at the level of service that was proposed.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The operator provides status reports to the manager on a routine basis.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has completed and distributed its <u>Consumer Confidence Report</u> (CCR).
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility meets all required regulations (is not on the <u>Significant Non-Compliance</u> (SNC) list).
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility maintains an inventory control list.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility maintains a critical spare parts list.

The utility has three operators who share various water and wastewater roles and tasks, under the supervision of a public works director. Klawock's water treatment system is a class 2 system, and its primary operator is certified class 1, with one backup operator certified class 1 and another certified provisional. The distribution system is class 1, and both the primary and backup operators are certified class 1, with an additional backup operator certified provisional. The

wastewater treatment system is class 1, and the primary operator is certified class 1 with a backup certified provisional, and an additional backup uncertified. The wastewater collection system is certified class 1 with the primary operator certified class 1, backup operator certified provisional, and an additional backup uncertified.

The utility displayed a preventative maintenance plan, inventory control list, critical spare parts list, and safety manual and log of safety meetings. All of these documents are maintained in the treatment plants, and the public works director conducts site visits at least daily, often more frequently. Concerns and issues are immediately reported to the city administrator, and passed on to the city council if necessary. The preventative maintenance plan includes a comprehensive list of tasks to be undertaken daily, weekly, monthly, etc. Safety meetings occur weekly, usually on Mondays, and discuss various safety matters. The most recent safety meeting, for instance, discussed earthquake management.

The water and wastewater systems have both been neglected in the past, but the systems are now in a schedule for maintenance and care, including ongoing works to repair and replace issues created by previous mismanagement, with the assistance of ANTHC. The system is not on the EPA's SNC list any longer, and has been offering the level of service proposed for at least a few years. The only recurrence on the SNC list has been a result of storm-related incidents, and have been only temporary. Consumer confidence reports are distributed to the community every July.

Essential Recommendations

The City of Klawock has not met all of the essential capacity indicators. In order to meet them, the utility must take the following actions:

- Adopt a collection policy and actively follow it.

Sustainable Recommendations

In addition to the Essential Recommendations, the City of Klawock can work to improve Sustainable Indicators in the areas of "Utility Finance," and "Personnel System."

It is recommended the utility:

- Receive revenues (user fees or other sources) sufficient to cover operating expenses and repair and replacement costs.
- Complete monthly bank reconciliations for all utility accounts.
- Adopt and follow a written personnel evaluation process that ties the job description to the evaluation.
- Adopt an adequate written hiring process.
- Implement a probationary period for new hires which includes orientation, job training/oversight, and evaluations.

Conclusion and Next Step

By implementing the above recommendations, the City of Klawock will put itself into position to better meet unanticipated financial costs and ensure that employees are aware of their conditions of employment.

The City of Klawock staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice and sustainability.

RUBA staff is available to provide assistance for any capacity indicators that are not being met.